



PENSION ANALYST COMPLIANCE BULLETIN



IRS provides CARES guidance for single-employer defined benefit plans

On July 31, the IRS issued [Notice 2020-61](#) to provide guidance relating to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) relief. This guidance applies to single-employer defined benefit plan sponsors who are taking advantage of the CARES Act delayed due dates for minimum required contributions and sponsors who use the plan's prior year adjusted funding target attainment percentage (AFTAP) for 2020.

Delay of minimum required contributions

The CARES Act extended the due date for minimum required contributions that would have otherwise been due in 2020 until January 1, 2021. The extended due date also applies to contributions in excess of the minimum required contribution. Interest will accrue for delayed payments for the period between the original due date for the contributions and the payment date.

Notice 2020-61 provides clarifications on how the interest on delayed contributions should be calculated and provides that if the January 1, 2021 extended deadline isn't met, excise taxes will be due on the unpaid minimum required contribution originally due September 15, 2020 for calendar-year plans. While excise taxes don't apply to missed quarterly contributions, an additional 5% of interest is added to the plan's effective interest rate for the period after January 1, 2021.

If a sponsor takes advantage of the delayed contribution deadline offered by the CARES Act, some contributions may be made after the Form 5500 is due. For plan sponsors who make a contribution after the original deadline, but on or before January 1, 2021, the actuary must attach a schedule for Line 19 of Schedule SB, showing the dates and amounts of individual contributions, the year to which the contributions are applied, the effective interest rate that applies to the contributions, the 5 percentage point increase that applies for late quarterly installments, the periods during which the rate applies, and the interest-adjusted employer contributions for the plan year. This schedule applies to both quarterly contribution requirements and annual funding requirements and must be attached even if the contributions were made by the CARES Act extended deadline.

If a sponsor wishes to designate contributions for a plan year after the Form 5500 has been filed, the sponsor must file an amended Form 5500 that includes an amended Schedule SB to reflect the additional contributions.

Use of prior year AFTAP for benefit restrictions

When determining whether benefit restrictions apply to a plan year that includes the 2020 calendar year, the CARES Act allows single-employer defined benefit plans to apply the plan's adjusted funding target attachment percentage (AFTAP) for the last plan year ending in 2019. To make the election, the plan sponsor must notify the plan's actuary and plan administrator in writing. The recent IRS guidance clarifies that even where a plan sponsor elects to use the prior year AFTAP, the plan's actuary generally must still certify the AFTAP for 2020 and should report the AFTAP on Schedule SB.

Next steps

If you have any questions regarding the information contained in this publication, you should contact your plan's enrolled actuary. Prudential Retirement's enrolled actuaries are prepared to respond to your inquiries regarding the effect of this new guidance on your plan.

Compliance Bulletin by Prudential Retirement

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